

**REPORT OF THE AUDIT OF THE
LEWIS COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LEWIS COUNTY FISCAL COURT

June 30, 2007

The Auditor of Public Accounts has completed the audit of the Lewis County Fiscal Court for fiscal year ended June 30, 2007.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Lewis County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$4,172,661 as of June 30, 2007. The fiscal court had unrestricted net assets of \$528,140 in its governmental funds as of June 30, 2007, with total net assets of \$ 4,167,276. In its business-type activities, total net cash and cash equivalents were \$5,385 with total net assets of \$5,385. The fiscal court had total debt principal as of June 30, 2007 of \$6,396,506 with \$464,906 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Steven D. Applegate, Lewis County Judge/Executive

Members of the Lewis County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lewis County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Lewis County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Lewis County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lewis County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The Lewis County Fiscal Court has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of budgetary comparison information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Steven D. Applegate, Lewis County Judge/Executive
Members of the Lewis County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lewis County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2008, on our consideration of Lewis County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

February 4, 2008

LEWIS COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Steven D. Applegate	County Judge/Executive
Milt Stanfield	Magistrate
Paul Bruce Swearingen	Magistrate
Joe Bentley	Magistrate

Other Elected Officials:

Clayton G. Lykins, Jr.	County Attorney
Tim Underwood	Jailer
Shirley Hinton	County Clerk
Kathy Hardy	Circuit Court Clerk
William Lewis	Sheriff
Betty F. Ripato	Property Valuation Administrator
Tony Gaydos	Coroner

Appointed Personnel:

Kathy Dillow	County Treasurer
Greta May	Finance Officer

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LEWIS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

LEWIS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 333,134	\$ 5,358	\$ 338,492
Assets Held For Resale	195,006		195,006
Total Current Assets	528,140	5,358	533,498
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	512,900		512,900
Buildings	6,559,149		6,559,149
Furniture and Office Equipment	8,594		8,594
Vehicles and Equipment	903,983		903,983
Infrastructure Assets - Net of Depreciation	2,051,016		2,051,016
Total Noncurrent Assets	10,035,642		10,035,642
Total Assets	10,563,782	5,358	10,569,140
LIABILITIES			
Current Liabilities:			
Financing Obligations	279,906		279,906
Revenue Bonds	185,000		185,000
Total Current Liabilities	464,906		464,906
Noncurrent Liabilities:			
Financing Obligations	1,056,600		1,056,600
Revenue Bonds	4,875,000		4,875,000
Total Noncurrent Liabilities	5,931,600		5,931,600
Total Liabilities	6,396,506		6,396,506
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,639,136		3,639,136
Unrestricted	528,140	5,358	533,498
Total Net Assets	\$ 4,167,276	\$ 5,358	\$ 4,172,634

The accompanying notes are an integral part of the financial statements.

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LEWIS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

LEWIS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

		Program Revenues Received	
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 1,402,352	\$	\$ 479,439
Protection to Persons and Property	809,152	28,112	886,483
General Health and Sanitation	263,371		146,288
Social Services	400		
Recreation and Culture	12,457		
Roads	848,827		1,449,678
Debt Service	282,464		
Capital Projects	365		
Total Governmental Activities	3,619,388	28,112	2,961,888
Business-type Activities:			
Jail Canteen	72,234	70,111	
Total Business-type Activities	72,234	70,111	
Total Primary Government	\$ 3,691,622	\$ 98,223	\$ 2,961,888

General Revenues:

Taxes:
Real Property Taxes
Motor Vehicle Taxes
Other Taxes
Excess Fees
Unrestricted Investment Earnings
Licenses and Permits
Miscellaneous Revenues
Total General Revenues
Change in Net Assets
Net Assets - Beginning (Restated)
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LEWIS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (922,913)	\$	\$ (922,913)
105,443		105,443
(117,083)		(117,083)
(400)		(400)
(12,457)		(12,457)
600,851		600,851
(282,464)		(282,464)
(365)		(365)
<u>(629,388)</u>		<u>(629,388)</u>
	<u>(2,123)</u>	<u>(2,123)</u>
	<u>(2,123)</u>	<u>(2,123)</u>
<u>(629,388)</u>	<u>(2,123)</u>	<u>(631,511)</u>
440,843		440,843
110,951		110,951
802,832		802,832
18,113		18,113
19,876		19,876
21,743		21,743
282,971		282,971
<u>1,697,329</u>		<u>1,697,329</u>
<u>1,067,941</u>	<u>(2,123)</u>	<u>1,065,818</u>
<u>3,099,335</u>	<u>7,481</u>	<u>3,106,816</u>
<u>\$ 4,167,276</u>	<u>\$ 5,358</u>	<u>\$ 4,172,634</u>

The accompanying notes are an integral part of the financial statements.

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LEWIS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

LEWIS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road Fund	Jail Fund	Emergency 911 Fund	Animal Shelter Fund
ASSETS					
Cash and Cash Equivalents	\$ 23,099	\$ 81,331	\$ 4,936	\$ 106,972	\$ 62,710
Total Assets	<u>\$ 23,099</u>	<u>\$ 81,331</u>	<u>\$ 4,936</u>	<u>\$ 106,972</u>	<u>\$ 62,710</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 3,597	\$ 24,390	\$ 17,176	\$ 4,172	\$
Unreserved:					
General Fund	19,502				
Special Revenue Funds		56,941	(12,240)	102,800	
Debt Service Fund					
Capital Projects Fund					62,710
Total Fund Balances	<u>\$ 23,099</u>	<u>\$ 81,331</u>	<u>\$ 4,936</u>	<u>\$ 106,972</u>	<u>\$ 62,710</u>

The accompanying notes are an integral part of the financial statements.

LEWIS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

Public Properties Courthouse Corporation Fund	Non- Major Funds	Total Governmental Funds
<u>\$ 52,011</u>	<u>\$ 2,075</u>	<u>\$ 333,134</u>
<u>\$ 52,011</u>	<u>\$ 2,075</u>	<u>\$ 333,134</u>
\$	\$	\$ 49,335
		19,502
	2,075	149,576
52,011		52,011
		62,710
<u>\$ 52,011</u>	<u>\$ 2,075</u>	<u>\$ 333,134</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 333,134
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	12,544,302
Accumulated Depreciation	(2,508,660)
Assets Held For Resale Are Not Financial Resources And Therefore Are Not	
Reported In The Funds	195,006
Debt is not due and payable in the current period and, therefore, not	
reported in the funds.	
Financing Obligations	(1,336,506)
Bond Debt	(5,060,000)
Net Assets Of Governmental Activities	<u>\$ 4,167,276</u>

The accompanying notes are an integral part of the financial statements.

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LEWIS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

LEWIS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road Fund	Jail Fund	Emergency 911 Fund
REVENUES				
Taxes	\$ 1,187,015	\$	\$	\$ 167,612
Excess Fees	18,113			
Licenses and Permits	21,743			
Intergovernmental	451,947	1,449,678	562,464	
Charges for Services			24,778	3,333
Miscellaneous	75,297	181,394	25,680	600
Interest	9,072	4,646	273	1,640
Total Revenues	<u>1,763,187</u>	<u>1,635,718</u>	<u>613,195</u>	<u>173,185</u>
EXPENDITURES				
General Government	584,981			
Protection to Persons and Property	321,163		752,716	61,734
General Health and Sanitation	189,717			
Social Services	400			
Recreation and Culture	12,457			
Roads		1,360,533		
Debt Service:				
Principal	79,200	203,835		
Interest	63,720	11,764		
Capital Projects	365			
Administration	347,279	151,802	131,808	4,479
Total Expenditures	<u>1,599,282</u>	<u>1,727,934</u>	<u>884,524</u>	<u>66,213</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>163,905</u>	<u>(92,216)</u>	<u>(271,329)</u>	<u>106,972</u>
Other Financing Sources (Uses)				
Financing Obligations Proceeds		195,006		
Transfers From Other Funds	123,120	20,000	275,000	
Transfers To Other Funds	(296,426)	(80,000)		
Total Other Financing Sources (Uses)	<u>(173,306)</u>	<u>135,006</u>	<u>275,000</u>	
Net Change in Fund Balances	(9,401)	42,790	3,671	106,972
Fund Balances - Beginning	32,500	38,541	1,265	
Fund Balances - Ending	<u>\$ 23,099</u>	<u>\$ 81,331</u>	<u>\$ 4,936</u>	<u>\$ 106,972</u>

The accompanying notes are an integral part of the financial statements.

LEWIS COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Animal Shelter Fund	Public Properties Courthouse Corporation Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$	\$
			1,354,627
			18,113
			21,743
	377,987	119,812	2,961,888
			28,111
			282,971
1,060	2,803	382	19,876
1,060	380,790	120,194	4,687,329
	25,342		610,323
			1,135,613
		76,426	266,143
			400
			12,457
			1,360,533
	180,000		463,035
	206,980		282,464
			365
	1,332		636,700
	413,654	76,426	4,768,033
1,060	(32,864)	43,768	(80,704)
			195,006
		1,426	419,546
		(43,120)	(419,546)
		(41,694)	195,006
1,060	(32,864)	2,074	114,302
61,650	84,875	1	218,832
\$ 62,710	\$ 52,011	\$ 2,075	\$ 333,134

The accompanying notes are an integral part of the financial statements.

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**LEWIS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

LEWIS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	114,302
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		1,324,784
Assets Disposed Of, Net Book Value		(211,608)
Assets Held For Resale		195,006
Disposal Of Asset Held For Resale		(180,000)
Depreciation Expense		(442,572)

The issuance of debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligation - Proceeds		(195,006)
Financing Obligations Principal Payments		283,035
Bond Payments		180,000

Change in Net Assets of Governmental Activities	\$	1,067,941
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LEWIS COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

LEWIS COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 5,385
Total Current Assets	<u>5,385</u>
Net Assets	
Unrestricted	5,385
Total Net Assets	<u><u>\$ 5,385</u></u>

The accompanying notes are an integral part of the financial statements.

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LEWIS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

LEWIS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 70,111
Total Operating Revenues	<u>70,111</u>
Operating Expenses	
Cost of Sales	47,003
Educational and Recreational	4,116
Vehicle Purchase	13,200
Inmate Medical Payments	5,939
Sales Tax	<u>1,976</u>
Total Operating Expenses	<u>72,234</u>
Operating Income (Loss)	<u>(2,123)</u>
Change In Net Assets	(2,123)
Total Net Assets - Beginning	<u>7,481</u>
Total Net Assets - Ending	<u><u>\$ 5,358</u></u>

The accompanying notes are an integral part of the financial statements.

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LEWIS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

LEWIS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 70,111
Cost of Sales	(47,003)
Educational and Recreational	(4,116)
Vehicle Purchase	(13,200)
Inmate Medical Payments	(5,939)
Sales Tax	(1,976)
Net Cash Provided By Operating Activities	(2,123)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,123)
Cash and Cash Equivalents - July 1, 2006	7,481
Cash and Cash Equivalents - June 30, 2007	\$ 5,358

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Lewis County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Lewis County Justice Center Expansion Corporation

Lewis County Fiscal Court must approve issue of bonded debt for the Justice Center Expansion Corporation; therefore, the Justice Center Expansion Corporation is fiscally dependent. In addition, the fiscal court leases the justice center from the Justice Center Expansion Corporation for the amount of the bond payments.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Lewis County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Lewis County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Lewis County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Emergency 911 Fund – This fund accounts for the operations of the county's 911 system.

Animal Shelter Fund – This fund accounts for the operations of the animal shelter.

Public Properties Courthouse Corporation Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Property Corporation issues debt to build major facilities or additions.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Community Development Block Grant Fund, and Illegal Dumps Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, Emergency 911 Fund, and Illegal Dumps Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Animal Shelter Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Fund:

The Public Properties Courthouse Corporation Fund is presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 25,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial credit risk is the risk that in the event of a depository institution failure, the government’s deposit may not be returned to it. The government does not have deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 412,900	\$ 100,000	\$	\$ 512,900
Total Capital Assets Not Being Depreciated	412,900	100,000		512,900
Capital Assets, Being Depreciated:				
Buildings	8,035,157			8,035,157
Furniture and Office Equipment	25,673	4,078		29,751
Vehicles and Equipment	1,382,093	492,762	(291,294)	1,583,561
Infrastructure	1,654,989	727,944		2,382,933
Total Capital Assets Being Depreciated	11,097,912	1,224,784	(291,294)	12,031,402
Less Accumulated Depreciation For:				
Buildings	(1,285,264)	(190,744)		(1,476,008)
Furniture and Office Equipment	(18,057)	(3,100)		(21,157)
Vehicles and Equipment	(649,955)	(109,309)	79,686	(679,578)
Infrastructure	(192,498)	(139,419)		(331,917)
Total Accumulated Depreciation	(2,145,774)	(442,572)	79,686	(2,508,660)
Total Capital Assets, Being Depreciated, Net	8,952,138	782,212	(211,608)	9,522,742
Governmental Activities Capital Assets, Net	<u>\$ 9,365,038</u>	<u>\$ 882,212</u>	<u>\$ (211,608)</u>	<u>\$ 10,035,642</u>
<u>Governmental Activities:</u>				
General Government			\$ 158,329	
Protection to Persons and Property			78,590	
General Health and Sanitation			4,664	
Roads, Including Depreciation of General Infrastructure Assets			<u>200,989</u>	
Total Depreciation Expense - Governmental Activities			<u>\$ 442,572</u>	

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Short-term Debt

On March 13, 2007, the Lewis County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program to purchase road equipment. The Agreement requires 12 monthly payments at a variable rate of interest to be paid in full on March 20, 2008. As of June 30, 2007, the principal amount outstanding was \$195,006.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Financing Obligations	\$ 180,000	\$ 195,006	\$ 180,000	\$ 195,006	\$ 195,006
Governmental Activities					
Short-term Liabilities	\$ 180,000	\$ 195,006	\$ 180,000	\$ 195,006	\$ 195,006

Note 5. Long-term Debt

A. Tollesboro Industrial Site Development (Kentucky Area Development District):

In February 1999, the County entered into a lease agreement with Kentucky Area Development District for industrial site development. As of June 30, 2007, the principal amount outstanding was \$26,500. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 14,900	\$ 1,131
2009	11,600	384
Totals	\$ 26,500	\$ 1,515

B. Renovation of the Lewis County Detention Center (Kentucky Area Development District):

The County entered into a lease agreement with Kentucky Area Development District for renovations on the Lewis County Detention Center. As of June 30, 2007, the principal amount outstanding was \$1,115,000 respectively. Future lease principal and interest requirements are:

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

B. Renovation of the Lewis County Detention Center (Kentucky Area Development District):
(Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 70,000	\$ 58,457
2009	70,000	54,913
2010	75,000	51,165
2011	80,000	47,060
2012	85,000	42,665
2013-2017	495,000	137,905
2018-2019	240,000	13,545
Totals	<u>\$ 1,115,000</u>	<u>\$ 405,710</u>

C. Defeasance of Long-Term Debt

The Lewis County Public Property Corporation issued \$5,420,000 of First Mortgage Revenue Refunding Bonds (Court Facilities Project), Series 2005 dated November 1, 2005. The purpose of this issue was to refund a 2000 revenue bond issue. The net proceeds of this issue, after issuance cost, \$5,354,000. The net proceeds plus an additional \$344,982 was placed in an escrow account to advance refund the 2000 Revenue Bond issue.

D. Revenue Bonds – Lewis County Public Properties Corporation

In November 2005 the Lewis County Public Properties Corporation issued \$5,420,000 in First Mortgage Revenue Refunding Bonds for the purpose of defeasing the 2000 First Mortgage Revenue Bond Issue. The Lewis County Public Properties Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for AOC at the Justice Center.

Lewis County and the Public Properties Corporation were acting as agents for the AOC in order to plan, design, and construct the Justice Center. They are now acting as agents for the AOC in managing and maintaining the Justice Center. The Public Properties Corporation and the county expect annual rentals for the Justice Center to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to directly to the paying agent bank, the use allowance payment as provided by in the lease. The lease agreement is renewable each year. The county and the Public Properties Corporation are in reliance upon the use allowance payment in order to meet the debt service requirements for the bonds.

The use allowance payment commenced with occupancy of the Justice Center by the AOC. The AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until March 2026, but the lease does not obligate the AOC to do so.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

D. Revenue Bonds – Lewis County Public Properties Corporation (Continued)

These bonds are scheduled to mature in March 2026, interest payments are due every six months starting March 2006, and interest payments are due annually beginning March 2006. As of June 30, 2007, the principal balance outstanding was \$5,060,000. Future bond principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 185,000	\$ 199,870
2009	190,000	192,562
2010	200,000	185,057
2011	210,000	177,157
2012	215,000	168,862
2013-2017	1,215,000	709,222
2018-2022	1,480,000	449,312
2023-2026	1,365,000	135,087
Totals	<u>\$ 5,060,000</u>	<u>\$ 2,217,129</u>

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 5,240,000	\$	\$ 180,000	\$ 5,060,000	\$ 185,000
Financing Obligations	<u>1,244,535</u>		<u>103,035</u>	<u>1,141,500</u>	<u>84,900</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 6,484,535</u>	<u>\$ 0</u>	<u>\$ 283,035</u>	<u>\$ 6,201,500</u>	<u>\$ 269,900</u>

Note 6. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$75,484 in interest on financing obligations and \$206,980 in interest on bonds and notes.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On February 24, 2000, the Lewis County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2007, Lewis County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Accounting Principles and Prior Period Adjustments

The beginning net assets of governmental activities on the Statement of Activities has been restated by \$18,052. The beginning accumulated depreciation balance was adjusted for corrections made to the fixed asset list.

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LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,145,600	\$ 1,145,600	\$ 1,187,015	\$ 41,415
Excess Fees	11,000	11,000	18,113	7,113
Licenses and Permits	6,000	6,000	21,743	15,743
Intergovernmental Revenue	694,000	694,000	451,947	(242,053)
Miscellaneous	53,500	53,500	75,297	21,797
Interest	6,200	6,200	9,072	2,872
Total Revenues	1,916,300	1,916,300	1,763,187	(153,113)
EXPENDITURES				
General Government	578,391	632,118	584,981	47,137
Protection to Persons and Property	38,700	254,143	321,163	(67,020)
General Health and Sanitation	162,070	196,067	189,717	6,350
Social Services	3,000	3,000	400	2,600
Recreation and Culture	81,000	89,076	12,457	76,619
Debt Service	1,438,500	1,288,658	142,920	1,145,738
Capital Projects		2,937	365	2,572
Administration	850,139	535,801	347,279	188,522
Total Expenditures	3,151,800	3,001,800	1,599,282	1,402,518
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,235,500)	(1,085,500)	163,905	1,249,405
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			123,120	123,120
Transfers To Other Funds	(160,000)	(170,000)	(296,426)	(126,426)
Kentucky Advanced Revenue Program	1,295,500	1,295,500		(1,295,500)
Total Other Financing Sources (Uses)	1,135,500	1,125,500	(173,306)	(1,298,806)
Net Changes in Fund Balance	(100,000)	40,000	(9,401)	(49,401)
Fund Balance - Beginning	100,000	100,000	32,500	(67,500)
Fund Balance - Ending	\$ 0	\$ 140,000	\$ 23,099	\$ (116,901)

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,957,748	\$ 1,957,748	\$ 1,449,678	\$ (508,070)
Miscellaneous	46,000	46,000	181,394	135,394
Interest	4,000	4,000	4,646	646
Total Revenues	<u>2,007,748</u>	<u>2,007,748</u>	<u>1,635,718</u>	<u>(372,030)</u>
EXPENDITURES				
Roads	1,814,480	1,525,616	1,165,527	360,089
Debt Service	7,200	215,599	215,599	
Administration	196,068	206,533	151,802	54,731
Total Expenditures	<u>2,017,748</u>	<u>1,947,748</u>	<u>1,532,928</u>	<u>414,820</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(10,000)</u>	<u>60,000</u>	<u>102,790</u>	<u>42,790</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(80,000)	(80,000)
Transfers From Other Funds			20,000	20,000
Total Other Financing Sources (Uses)			<u>(60,000)</u>	<u>(60,000)</u>
Net Changes in Fund Balance	(10,000)	60,000	42,790	(17,210)
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>38,541</u>	<u>28,541</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 70,000</u>	<u>\$ 81,331</u>	<u>\$ 11,331</u>

**Reconciliation of Budgetary Comparison Schedule to
Statement of Revenues, Expenditures, Changes in Fund Balance**

Expenditures	\$ 1,532,928
Add: Short Term Debt Expenditures	195,006
Expenditures to Statement	<u>\$ 1,727,934</u>
Other Financing Sources (Uses)	\$ (60,000)
Add: KACO Leasing Trust Proceeds	195,006
Other Financing Sources (Uses) to Statement	<u>\$ 135,006</u>

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 519,961	\$ 519,961	\$ 562,464	\$ 42,503
Charges for Services	22,000	22,000	24,778	2,778
Miscellaneous	10,000	10,000	25,680	15,680
Interest			273	273
Total Revenues	551,961	551,961	613,195	61,234
EXPENDITURES				
Protection to Persons and Property	593,745	773,826	752,716	21,110
Administration	118,216	158,135	131,808	26,327
Total Expenditures	711,961	931,961	884,524	47,437
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(160,000)	(380,000)	(271,329)	108,671
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	160,000	160,000	275,000	115,000
Total Other Financing Sources (Uses)	160,000	160,000	275,000	115,000
Net Changes in Fund Balance		(220,000)	3,671	223,671
Fund Balance - Beginning			1,265	1,265
Fund Balance - Ending	\$ 0	\$ (220,000)	\$ 4,936	\$ 224,936

LEWIS COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

EMERGENCY 911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$	\$ 250,656	\$ 167,612	\$ (83,044)
Intergovernmental Revenue		42,000		(42,000)
Charges for Services		10,000	3,333	(6,667)
Miscellaneous			600	600
Interest			1,640	1,640
Total Revenues		302,656	173,185	(129,471)
EXPENDITURES				
Protection to Persons and Property		237,913	61,734	176,179
Administration		64,743	4,479	60,264
Total Expenditures		302,656	66,213	236,443
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			106,972	106,972
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		10,000		(10,000)
Total Other Financing Sources (Uses)		10,000		(10,000)
Net Changes in Fund Balances		10,000	106,972	96,972
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	\$ 10,000	\$ 106,972	\$ 96,972

LEWIS COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**LEWIS COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

LEWIS COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

	LGEA Fund	Community Development Block Grant Fund	Illegal Dumps Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,069	\$ 1	\$ 5	\$ 2,075
Total Assets	<u>\$ 2,069</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 2,075</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 2,069	\$ 1	\$ 5	\$ 2,075
Total Fund Balances	<u>\$ 2,069</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 2,075</u>

The accompanying notes are an integral part of the financial statements.

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LEWIS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007

LEWIS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	LGEA Fund	Community Development Block Grant Fund	Illegal Dumps Fund	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	\$ 2,047	\$ 75,000	\$ 42,765	\$ 119,812
Interest	22		360	382
Total Revenues	<u>2,069</u>	<u>75,000</u>	<u>43,125</u>	<u>120,194</u>
EXPENDITURES				
General Health and Sanitation		75,000	1,426	76,426
Total Expenditures		<u>75,000</u>	<u>1,426</u>	<u>76,426</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,069</u>		<u>41,699</u>	<u>43,768</u>
Other Financing Sources (Uses)				
Transfers From Other Funds			1,426	1,426
Transfers To Other Funds			(43,120)	(43,120)
Total Other Financing Sources (Uses)			<u>(41,694)</u>	<u>(41,694)</u>
Net Change in Fund Balances	2,069		5	2,074
Fund Balances - Beginning		1		1
Fund Balances - Ending	<u>\$ 2,069</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 2,075</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steven D. Applegate, Lewis County Judge/Executive
Members of the Lewis County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lewis County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 4, 2008. Lewis County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lewis County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lewis County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lewis County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Lewis County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

February 4, 2008

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

LEWIS COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**


Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LEWIS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Lewis County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Steven D. Applegate
County Judge/Executive


Kathy Dillow
County Treasurer

